

Message Text

PAGE 01 SEOUL 04657 272247Z

14-11
ACTION EA-10

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FEA-01 SAM-01 XMB-02 IO-10 /099 W
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R 261002Z JUN 75
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 966
INFO AMEMBASSY JIDDA
AMEMBASSY TEL AVIV
AMEMBASSY TOKYO
CINCPAC

C O N F I D E N T I A L SEOUL 4657

CIMCPAC FOR POLAD

E.O. 11652: GDS
TAGS: EAID KS SA
SUBJECT: SAUDI LOANS TO ROK

REF: A JIDDA 3436 B SEOUL 4234

1. ON JUNE 26 MOFA ASSISTANT MINISTER FOR ECONOMIC
AFFAIRS KIM TONG-HWI GAVE FOLLOWING RUN-DOWN ON ROK EFFORTS TO
SECURE LOANS FROM SAUDI ARABIA.

2. A MEMORANDUM OF UNDERSTANDING WAS SIGNED JUNE 11
IN RIYADH BY REPRESENTATIVES OF THE SAUDI FUND
FOR DEVELOPMENT (SFD) AND THE ROK ECONOMIC PLANNING
BOARD. THE MEMORANDUM PROVIDES THAT \$90 TO \$100
MILLION (EQUAL TO 10 PERCENT OF THE SFD'S PAID-UP
CAPITAL) WILL BE ALLOTTED TO KOREA AS PROJECT LOANS.
THIS AMOUNT WILL BE INCREASED AS THE FUND'S CAPITAL
INCREASES TO ITS AUTHORIZED LIMIT OF \$3 BILLION.
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PAGE 02 SEOUL 04657 272247Z

THE LOANS WILL FINANCE UP TO 50 PERCENT OF THE
PROJECTS' COSTS AND ARE REPAYABLE OVER A 25-YEAR
PERIOD WITH A FIVE-YEAR GRACE PERIOD. INTEREST
WILL BE AT THE CURRENT RATE, BUT NOT EXCEEDING

FOUR PERCENT PER YEAR. THE REPRESENTATIVES OF THE SFD AGREED TO SUBMIT THE PROJECTS OUTLINED BY THE ROK TO THE BOARD OF THE SFD FOR EARLIEST POSSIBLE CONSIDERATION.

3. REGARDING BANK CREDITS, THE SAUDI ARABIAN MONETARY AUTHORITY (SAMA) HAS THUS FAR INDICATED RELUCTANCE TO PROVIDE ANY FUNDS TO KOREA. IN THIS REGARD, ROK NEGOTIATORS WERE TOLD THAT SAUDI OIL REVENUES WERE EXPECTED TO DECREASE AND THAT LARGE AMOUNTS OF FUNDS (ABOUT \$142 BILLION) WERE TO BE INVESTED IN THE SECOND SAUDI NATIONAL ECONOMIC PLAN. BOTH SIDES, HOWEVER, ARE TO MEET IN THE LATTER PART OF JULY FOR FURTHER DISCUSSIONS. ACCORDING TO KIM, SAUDI NEGOTIATORS SAID THEY RANKED KOREA AT TOP OF DEVELOPING NATIONS WITH REGARD TO DEBT SERVICING PERFORMANCE.

4. POL COUNS ASKED WHETHER SAUDIS HAD DROPPED ANY HINTS ABOUT ROK RELATIONS WITH ISRAEL AS A FACTOR IN LOAN NEGOTIATIONS. KIM SAID THAT ABSOLUTELY NOTHING WAS SAID OR HINTED ALONG THESE LINES.

5. KIM SAID HE WOULD APPRECIATE ANY HELP THAT USG COULD DISCREETLY GIVE IN PERSUADING SAUDIS TO COME THROUGH WITH BANK CREDIT. HE CAUTIONED, HOWEVER, THAT DEAL WAS BEING CLOSELY HELD AND THAT USG SHOULD CONSULT WITH ROKG BEFORE MAKING ANY KIND OF APPROACH TO SAUDIS. POL COUNS SAID HE WOULD RAISE QUESTION WITH DEPARTMENT. EMBASSY SEOUL WOULD APPRECIATE ANY COMMENTS DEPARTMENT OR JIDDA MAY HAVE ON THIS MATTER.

6. IN PASSING, KIM NOTED THAT SAUDI GENERAL HAD BEEN IN SEOUL IN MARCH AND HAD EXPRESSED INTEREST IN BUYING UNIFORMS AND BOOTS FROM ROKG.
SNEIDER

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